



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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June 1, 2021

Mr. Todd Leopold, County Executive Officer  
Placer County Executive Office  
175 Fulweiler Avenue  
Auburn, CA 95603

Re: Countywide Procurement Card Program

Dear Mr. Leopold:

The County established the Procurement Card Program to streamline the acquisition of goods and services to promote operational efficiencies. The County Procurement Card Program is administered by the Procurement Services Division (Procurement) with oversight of transactions by County departments.

The Internal Audit Division of the Auditor-Controller's Office (ACO) routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020.

### Audit Objective, Scope, and Methodology

The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

To accomplish our objectives, we performed the following:

- Reviewed various County policies and procedures to understand all relevant policies and guidelines related to Procurement Card purchases:
  - Procurement Card Policy (PCP),
  - Procurement Card Program Procedures Manual (PCPPM),
  - Procurement Policy (PP),
  - Procurement Procedures Manual (PPM),
  - Accounting Policies and Procedures Manual (APPM),
  - Meals, Lodging, Travel and Transportation Policy (MLTTP),
  - Department specific guidance such as the Memorandum of Understanding (MOU) for the Placer County Deputy Sheriffs' Association (DSA),
- Documented the internal control processes over the Procurement Card Program and Procurement Card transactions.
- Reviewed Procurement Card transactions to ensure purchases were authorized and appropriately used for County business.

- Reviewed Procurement Card documentation files to ensure compliance with current policies, procedures, and adequate documentation controls.
- Interviewed departmental personnel involved in the administration and management of the program.
- Ensured the usability of Procurement Cards of former employees had been adjusted promptly upon departing the County.

We reviewed a sample of County departments' Procurement Card purchases and related documentation files to ensure the departments' compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. The transactions we reviewed consisted of purchases from the following departments<sup>1</sup>:

- Agriculture Department (Agriculture),
- Air Pollution Control District (APCD),
- Assessor's Office (Assessor),
- Clerk-Recorder-Elections Office (Clerk-Recorder),
- County Executive Office (CEO) including Board of Supervisors (BOS),
- Department of Child Support Services (CSS),
- Department of Facilities Management (Facilities Management),
- Department of Health and Human Services (HHS),
- Department of Information Technology (IT),
- Department of Public Works (DPW),
- District Attorney's Office (DA),
- Human Resources Department (HR),
- Library Department (Library),
- Local Agency Formation Commission (LAFCO),
- Probation Department (Probation),
- Sheriff's Office (Sheriff), and
- Treasurer-Tax-Collector's Office (TTC)

We conducted our audit in conformance with the International Standards for the Professional Practice of Internal Auditing. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" of this report.

The Placer County Internal Audit Division Charter provides authority for the Internal Audit Division to allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives. Also, Internal Audit staff have unrestricted access to all functions, records, property, and personnel.

### Conclusion

Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, we provided exit emails to communicate the monitoring review results with County departments and held exit meetings with those

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<sup>1</sup> Agriculture, APCD, Assessor, Clerk-Recorder, Facilities Management, DA, HR, and Library were selected for the January 1 – June 30, 2019 monitoring review only. CSS, LAFCO and TTC were selected for the July 1, 2019 – March 13, 2020 audit only. The remaining were selected in both the review and audit.

that requested one. Also, we issued separate reports to County departments to communicate the specific observations and recommendations.

Additionally, we discussed the draft results of the monitoring review and compliance audit with Procurement and provided them with an opportunity to respond. On July 6, 2020, we presented the draft Interim Audit Report to the Audit Committee.

The remainder of this report is separated into two sections: (A) a summary of reported observations to County departments and (B) a summary of reported observations for program administration and our recommendations on how to improve the administration of the County Procurement Card Program along with Procurement's responses to our recommendations.

## **A. Summary of Reported Observations to County Departments**

### **Observation #1– Circumventing Purchases**

We found instances in which Cardholders from the CEO, DA, HHS, and Library split a purchase into separate transactions in which the total exceeded their single purchase limit (SPL) which is not allowed per Section 2.4 of the PCPPM. According to Wells Fargo records, these Cardholders did not request a temporary increase to their SPL to cover the purchases.

### **Observation #2– Unallowable Charges per County Policies**

We found instances in which Cardholders from the BOS, CEO, DA, HHS, IT, Probation, and Sheriff used their Procurement Cards to pay for goods and services or personal expenses that are not allowed by County policies (e.g., APPM, MLTTP, PCP, PCPPM, etc.). This included:

- Unallowable items as listed in the APPM (page 58),
- Personal expenses (not allowed per Section 2.0 of the PCP),
- Expenses for department's social event (not allowed per Section 3.1H2<sup>2</sup> of the MLTTP),
- Food, beverages, or refreshments for normal day-to-day County operations and routine staff meetings (not allowed per Section 3.2C<sup>3</sup> of the MLTTP), and
- Service fee not related to County business, and

Additionally, reimbursement for some of the transactions were not made timely.

### **Observation #3– Statements were not Approved by Approvers**

Section 3.2 of the PCP requires all transactions to be reviewed by the Approvers within the defined timeframe for each cycle period. However, we found instances in which the Approvers from APCD and HHS never approved the Cardholders' statements, and we did not find any documentation in Wells Fargo to explain the missed approval.

### **Observation #4– Purchases were Approved without Adequate Documentation**

Section 3.2 of the PCP requires the Cardholder to provide appropriate documentation for all purchases and submit them within the defined timeframe for each cycle period. Also, Section 3.3 of the PCPPM states the Limited Program Administrator (LPA) should ensure all the needed and required documentation is attached to the statement to valid the purchases.

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<sup>2</sup> Section 3.2H2 is now Section 3.1i in the revised MLTTP that was updated on 5/5/2020.

<sup>3</sup> Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

However, we found instances in which the purchases from the BOS, CEO, CSS, DA, DPW, Facilities Management, HHS, IT, LAFCO, Probation, and Sheriff were not supported with adequate documentation. These included:

- Supporting documentation was uploaded after the reconciliation period. This also includes meal/parking overage not supported with timely reimbursement,
- Purchase was not supported with an itemized invoice/receipt, or the “Missing Receipt” form,
- Travel costs were not supported with Travel Request (TR), Spend Authorization (SA) number, or last-minute overnight travel costs were not supported with Captain’s approval (the latter applies to Sheriff only),
- Missing itemized hotel bill and other required documentation for overnight lodging,
- Missing Department Head’s (or the County Executive Officer) approval for employee recognition expenses,
- Missing County Executive Officer’s approval for promotional expenses, as well as, emergency meal expenses,
- Missing Department Head’s approval for miscellaneous expense for meetings and special events,
- Missing Department Head or designee’s approval for meal allowance expenditures,
- Missing justification/approval for airport daily or garage lot,
- Missing justification/approval for service/fee such as early boarding fee, seat upgrade for flight, internet service charge for hotel room, etc.,
- Missing proof of reimbursement to the County such as airport parking overage,
- Missing meeting agenda to support parking expense related to County business, and
- Missing signature on CSOC Credit Card Reimbursement Request (HHS Internal Document)

**Observation #5– Purchases were Shipped to a Personal/Non-County Business Address**

Section 3.2C of the PPM requires an express approval from the department for shipping purchases to a non-County business or a personal address. However, we found instances in which the Cardholders from the CEO, IT, and Sheriff shipped the purchased items to a personal/non-County business address without providing the Department Head’s approval in Wells Fargo.

**Observation #6– Lack of Detailed Description for Transaction**

We found instances in which the Cardholders from the Agriculture, BOS, CEO, CSS, DPW, HHS, IT, Probation, and Sheriff did not include a detailed description of the transaction to justify the purpose of County business which is required in Section 3.1.1 of the PCPPM.

**Observation #7– Cardholder Charged Meals on Procurement Card and Received Per Diem**

We found instances in which Cardholders from the HHS and Sheriff traveled overnight for County business and in essence received meals twice by either using the Procurement Card while also submitting an employee claim for the meal per diem or the Cardholder purchased a meal when the same meal was provided during the conference.

Subsequently, the Cardholders from the Sheriff and HHS reimbursed the County for the Procurement Card meal expense. Section 1.3 of the PCPPM states that full repayment must be made immediately for unauthorized use of the Procurement Card.

**Observation #8– Unallowable Business Meal Expense**

We found instances in which the Cardholders from the BOS did not provide a specifically identifiable reason for conducting the County business during the meal period which is required per Section 3.2A1<sup>4</sup> of the MLTTP.

**Observation #9– Unallowable Taxable Meals for Working Two Hours Over Regular Shift**

We found that multiple Cardholders from the Sheriff, who also belong to the Deputy Sheriff's Association (DSA) claimed taxable meals for working two or more hours over their regular shift. However, the current Memorandum of Understanding (MOU) for the DSA (which went into effect beginning 7/1/2015) does not contain any language for this type of meal reimbursement.

In May 2020, we discovered the Office's Cardholders were claiming these unallowable taxable meals. We decided to include a review of all taxable meals that were claimed by the Office's DSA employees during May 2017 through May 2020 (three years from date of discovery). Our review identified that a total of 25 DSA employees had unallowable taxable meal expenses totaling \$896.77.

**Observation #10– Meal Expense Exceeded the Federal Per Diem Rate**

Per Section 3.2A5<sup>5</sup> of the MLTTP, meals and incidentals are reimbursed according to the Federal per diem rate by the General Services Administration (GSA). However, we found instances in which a Cardholder from LAFCO traveled overnight for County business and incurred meals that exceeded the per diem rate.

**Observation #11– Purchase on the Department's General Card was Made by an Individual that was not an Authorized User**

Per Section 2.5 of the PCPPM, County department shall have a process in place where all purchases with a Procurement Card receive appropriate approval. However, we found an instance which an employee from the Sheriff made a purchase with the department's general card; however, she was not listed as an authorized user for the general card.

**Observation #12– Incorrect/Missing Sales Tax Due Amount**

We found instances in which the Cardholders from the DA, Facilities Management, HHS, IT, and Sheriff did not enter the correct amount in the "Sales Tax Due" field in Wells Fargo. Pursuant to Section 2.4, 3.1.1, 3.3.2 and 3.3.7 of the PCPPM, Cardholders and LPAs should ensure the correct sales tax amount is entered into Wells Fargo and complete the "Procurement Card Supplemental Sales/Use Tax Recap Sheet" to correct the sales tax amount.

**B. Summary of Reported Observations for Program Administration and Recommendations****Observation #1– General Cards were Issued to County Departments**

We noted that Procurement issued general Procurement Cards (those that are not issued to a specific user) to several County departments which is not allowed per Section 2.0 of the County's PCP which states the Procurement Card is to be issued to an employee.

**Recommendation #1:**

We recommend Procurement stop issuing a general card to County departments. Also, Procurement should seek the Board of Supervisors' approval for the two general cards that are still in use by the Sheriff.

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<sup>4</sup> Section 3.2A1 is now Section 3.2b1 in the revised MLTTP that was updated on 5/5/2020.

<sup>5</sup> Section 3.2A5 is now Section 3.2c2 in the revised MLTTP that was updated on 5/5/2020.

Procurement's Response:

*Procurement concurs and will work with the PCSO and request authorization for the two remaining cards that the Sheriff's Office believes there is a valid business reason to retain.*

**Observation #2– The Number of Cardholders per Approvers Exceeded the Maximum Number Allowed per the PCPPM**

We noted Approvers from the CEO, DA, HHS and Sheriff had more than 10 Cardholders assigned to them which exceeded the maximum number allowed per Section 2.3 of the PCPPM. In one instance, an Approver from the Sheriff was assigned with 53 Cardholders.

Recommendation #2:

As a general rule, a single Approver should not have more than 10 Cardholders assigned to them to ensure timely and detailed review of transactions. However, there may be certain circumstances that having more than 10 Cardholders is appropriate (e.g., a manager may have 11 staff that reports directly to him/her). Therefore, we recommend Procurement re-evaluate the PCPPM policy over the maximum number of Cardholders per Approver to allow for appropriate special circumstances.

Procurement's Response:

*Procurement concurs and has implemented a practice where if there is a similar situation that is warranted it is communicated to the Auditor-Controller and their express approval of the procedural exception is requested.*

**Observation #3– Procurement Card Remained Active after Cardholder has Left the County**

We noted that the Procurement Card of a former Department Head (with the role of both Cardholder and Approver) remained active for over a month after his departure with the County. Per Wells Fargo, the previous established spending limit was not adjusted until after the ACO inquired with Procurement about the status of the former employee's Procurement Card. In response to our inquiry, the Procurement Services Division reduced the single purchase limit to \$1 and monthly credit limited to \$2.

Section 4.6 of the PCPPM discusses the procedures for departments to follow when employee leaves the County or transfer to another department. Also, Section 1.2 of the PCPPM discusses the Procurement's responsibilities including modifications to existing Cardholder accounts and termination of Cardholder accounts.

*Section 1.2 of the PCPPM states, "the Program Administrator will be the focal point for coordination of applications for County Procurement Cards, issuing cards, modifications to*

Recommendation #3:

We recommend County departments notify Procurement ahead of planned departures/transfers of employee so Procurement can deactivate the card promptly to prevent unauthorized use.

Procurement's Response:

*Procurement concurs and currently receives regular notifications of staff that are no longer employed as a cross check to department communication.*

**Observation #4– The Authority to Approve County Executives’ Statement was Delegated to a Lower-Level Staff**

Section 1.2 of the PCPPM states that an Approver should be the Cardholder’s supervisory chain of command or an equal or higher level. However, we found that the County Executive Officer of the County delegated authority to a lower-level staff to approve County executives’ Procurement Card statements. As a result, this staff member is the Primary Approver for 16 County executives who are under the County Executive Officer’s supervisory chain.

Recommendation #4:

We recommend the County Executive Officer work with the Auditor-Controller to reassign the Approver to the Assistant County Executive Officer who is more appropriate for the role as she is working at an equal level of command to the County executives. This will ensure that County executives’ transactions receive the approval level of review.

Procurement’s Response:

*Procurement concurs with this recommendation and will implement any changes directed at that level by those individuals.*

**Observation #5– Department’s Limited Program Administrators (LPAs) made Account Modifications in Wells Fargo**

Per Section 1.4 and 2.3 of the PCPPM, the Program Administrator (not the LPA) is responsible for modifying existing Cardholder accounts. However, we found instances in which the LPAs from the HR, CEO, and Sheriff changed the Approver/Single Purchase Limit (SPL) of the Cardholders from their department.

Recommendation #5:

We recommend Procurement update the procedures for LPA responsibilities in the PCPPM to allow them to make certain account changes for their department’s Procurement Card users. For example, an LPA should be allowed to change the approver for a Cardholder with Department Head or designee’s approval. However, an LPA should not be allowed to change the dollar limit for their department’s Cardholders as it could create a potential opportunity for the department’s Cardholders to bypass controls on spending limit.

Procurement’s Response:

*Procurement concurs with this recommendation. Procurement agrees that department level Limited Program Administrators (LPA’s) should be able to move staff within the department to other approvers as determined by the department head or designee. Procurement will work on getting this change into the Procurement Card Procedures as soon as possible.*

**Observation #6– Multiple Procurement Cards were Assigned to a Cardholder**

Section 2.0 of the PCP states that the Procurement Card is not intended to circumvent established procurement practices and related County Policies. However, we noted that multiple Procurement Cards were issued to two County employees (one from the HHS and Sheriff) which effectively increased the Cardholder’s purchasing power and create an opportunity for possible abuse.

Recommendation #6:

We recommend Procurement reduce the usability of the old Procurement Card by changing the dollar limit to \$1 or completely close out the old account in Wells Fargo before delivering the new card to the

Cardholder. This will prevent a Cardholder from having access to multiple cards with a cumulative dollar limit that exceeded the limit that was originally established for the Cardholder.

*Procurement's Response:*

*Procurement concurs with this recommendation. The Wells Fargo system may reflect more than one active card at a time due to card replacements but at no time does a cardholder have more than one active card in their possession or available for use.*

**Observation #7– Lack of Continuous Training to Procurement Card Program Users**

Overall, we felt that there is a lack of continuous training provided to Procurement Card Program users to ensure the appropriate use and management of the County's Procurement Cards. Specifically, the administrative controls that Procurement Services Division put in place did not adequately prevent, eliminate or minimize the risks of improper transactions. This included insufficient reviews on the department LPAs' actions in Wells Fargo to ensure compliance with County's procurement policies and procedures.

Section 1.2 of the PCPPM discusses Procurement's responsibilities which includes providing training Cardholders and related personnel on the proper use of the card and Wells Fargo. Further, Section 9.0 of the PP states that Procurement is responsibility for all administrative actions required for authorization, distribution, and appropriate use of the Procurement Card.

*Recommendation #7:*

We recommend Procurement implement more frequent training for Procurement Card Program users to ensure that they maintain knowledge of the County's policies and procedures on Procurement Card purchases. This will help reduce instances of non-compliance and enhance the internal control environment.

*Procurement's Response:*

*Procurement concurs with this recommendation and has implanted a new practice of requiring updated training when issuing a card, regardless of circumstances. Also Procurement is working with Learning and Development to implement an annual training program for cardholders throughout the County to improve cardholder knowledge of the appropriate policies and requirements.*

**Observation #8– Large Number of Procurement Cards Issued**

We noted that the County has a large number (total of 436) of Procurement Cards that are issued to various County departments. Upon reviewing the list of Procurement Cards issued to County departments and comparing to allocated positions by department, we noticed some departments have Procurement Cards assigned to at least 20% of their staff, with a high at one department of 55%. While Procurement Cards can be an effective purchasing tool for smaller purchases, they can also easily be misused or abused; thus, increasing the risk.

*Recommendation #8:*

We recommend Procurement review the number of Procurement Cards issued on periodical basis (e.g., annual) and deactivate those that do not demonstrate the business necessity after discussion with the County department. As the administrator of the Procurement Card Program, Procurement should ensure that all Cardholders understand the use of the Procurement Cards is a privilege and the County may remove it from any Cardholder that does not comply with all applicable County policies and procedures (as stated in Section 3.2 of the Procurement Card Policy). Therefore, if there are repeated violations of



County policies and procedures, we may recommend Procurement take appropriate action which may include removal of the Procurement Card from the Cardholder.

*Procurement's Response:*

*Procurement concurs with this recommendation and will implement an annual review of cardholders and usage with departments and upon completion will share that information with the Auditor.*

We appreciate the courtesy and cooperation of the County departments throughout the course of the review and audit.

Procurement's responses to the recommendations identified in our audit are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Nicole C. Howard'.

Nicole C. Howard, CPA  
Assistant Auditor-Controller

cc: County Department Heads  
Jane Christenson, Assistant County Executive Officer  
Brett Wood, Purchasing Manager, County Executive Office  
Lisa Burlison, Executive Assistant  
Placer County Audit Committee